

Message Text

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FM AMEMBASSY DUBLIN

TO SECSTATE WASHDC PRIORITY 6805

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E.O. 11652: N/A

TAGS: EGEN

SUBJECT: EXIM BANK: FINANCING OF SOYBEAN PLANT AT TRALEE

REF: STATE 107252

1. THE EMBASSY BELIEVES THE PROPOSED SOYBEAN PLANT AT TRALEE OFFERS THE PROMISE OF BEING A VERY GOOD PROJECT. NOT ONLY COULD IT PROVIDE A STEADY MARKET FOR US AGRICULTURAL EXPORTS, BUT IT COULD MAKE A USEFUL CONTRIBUTION TO THE AGRICULTURAL SECTOR OF THE IRISH ECONOMY. ON THE BASIS OF INFORMATION AVAILABLE TO US, THE PROJECT APPEARS TO BE ECONOMICALLY FEASIBLE.

2. TO ASCERTAIN OFFICIAL IRISH ATTITUDE TOWARD THE VENTURE WE CALLED ON MR. TED O'NEILL, DIRECTOR OF INDUSTRIAL DEVELOPMENT AUTHORITY (IDA) WHO IS MOST SENIOR OFFICIAL RESPONSIBLE FOR PROJECT. O'NEILL REPORTED THAT IDA HAS THOROUGHLY INVESTIGATED PROJECT, FINDS IT FEASIBLE AND DEFINITELY FAVORS IT. HE SAID IDA WOULD LIKE TO "BACK IT" AND HAS SO INFORMED INVESTORS. HE DID NOT, HOWEVER, ADVISE INVESTORS OF EXACT EXTENT OF BACKING CONTEMPLATED. FOR OUR BACKGROUND INFORMATION ONLY HE TOLD US THAT IDA ENVISAGES AN OUTRIGHT GRANT OF UP TO 20 PERCENT OF THE FIXED ASSETS INVESTMENT IN THE PLANT. FIXED ASSETS ARE ESTIMATED AT 5 MILLION IRISH POUNDS. IN ADDITION, 8 MILLION IRISH POUNDS WOULD BE REQUIRED AS WORKING CAPITAL WHICH REPRESENTS A 90-DAY SUPPLY OF RAW MATERIALS. BEFORE MAKING A FIRM COMMITMENT IDA MUST HAVE TWO POINTS CLARIFIED. FIRST IS CAPITAL STRUCTURE OF PROPOSED COMPANY. THIS IS NOT CLEAR AT PRESENT, BUT CERTAINLY DOES NOT IN-

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CLUE IDA PARTICIPATION AS INDICATED PARAGRAPH 1 REFTEL. SECOND

POINT IS THAT IDA IS NOT SATISFIED WITH MANAGEMENT OF COMPANY AS ENVISAGED AT PRESENT. THIS IS NOT TO IMPLY ANYTHING DEROGATORY CONCERNING LATCHFORD, WHICH IS A REPUTABLE FIRM, BUT IT IS SMALL AND IDA IS NOT SURE THAT IT COULD MANAGE PROJECT OF THIS SIZE. AS FOR ELIJAH PETTY, THE US ORGANIZER, IDA IS SATISFIED WITH HIS EXPERIENCE AND GENERAL QUALIFICATIONS BUT THEY ARE NOT SURE OF HIS EVENTUAL ROLE IN THE MANAGEMENT OF THE FIRM. OF THE PROPOSED OWNERS OF THE IOWA AND IRELAND COMPANY MENTIONED REFTEL, GUINNESS AND MAHON ARE REPUTABLE DUBLIN BANKING FIRM (ESTABLISHED 135 YEARS). US REPRESENTATIVE OF GUINNESS MAHON IS:
GUINNESS MAHON REPRESENTATION CO. INC.
115 BROADWAY
NEW YORK, N.Y. 10006

FIRM'S CAPITAL, AUTHORIZED AND ISSUED, IS ONE MILLION IRISH POUNDS.

3. REGARDING THE QUESTION OF IDA GUARANTEE OF EXIM'S LOAN, O'NEILL SAID THIS IS NOT THE TYPE OF PROJECT LOAN THAT IDA UNDER CURRENT POLICIES WOULD GUARANTEE. THE OUTRIGHT GRANT WOULD BE THE EXTENT OF IDA'S FINANCIAL COMMITMENT.

4. TO SUMMARIZE, IDA BELIEVES THIS IS A GOOD PROJECT AND IS SERIOUSLY CONSIDERING GIVING IT A GRANT, PROVIDED THE TWO QUESTIONS OF CAPITAL STRUCTURE AND MANAGEMENT ARE CLARIFIED TO IDA'S SATISFACTION.
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